

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01

PRS-01 /103 W

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R 031312Z FEB 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4625

INFO AMEMBASSY ABU DHABI

AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY NEW DELHI

AMEMBASSY SANA

AMEMBASSY TEHRAN

USINT BAGHDAD

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ENRG KU

SUBJ: RECENT MAJOR PETROLEUM PRODUCT SALES: IMPLICATIONS  
FOR PRICES

SUMMARY: KUWAIT NATIONAL PETROLEUM COMPANY HAS RECENTLY  
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WON TENDERS TO SUPPLY PETROLEUM PRODUCTS TO US SEVENTH FLEET

AND YEMEN PETROLEUM COMPANY. IN THESE CASES KNPC PREVAILED AGAINST INTERNATIONAL COMPETITION AND CHARGED STRICTLY COMMERCIAL TERMS. THERE HAVE BEEN REPORTS, HOWEVER, THAT AN AGREEMENT HAS BEEN REACHED WITH INDIA WHERE KUWAITIS HAVE SHAVED PRICES, AND RECENTLY BANGLADESH DELEGATION PRESSED HARD FOR FAVORABLE TERMS. THERE IS EVIDENCE TO SUGGEST THAT KNPC MIGHT SELL PETROLEUM PRODUCTS TO TRADITIONAL SOUTH ASIAN CUSTOMERS AT SLIGHTLY REDUCED PRICES, BUT THIS DOES NOT RPT NOT MEAN THAT GOK WOULD OFFER LOWER PRICES ON CRUDE SALES, ALTHOUGH MORE LIBERAL CREDIT TERMS MAY BE EXTENDED. END SUMMARY.

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1. KUWAIT NATIONAL PETROLEUM COMPANY (KNPC) RECENTLY HAS WON TWO INTERNATIONAL TENDERS TO SUPPLY PETROLEUM PRODUCTS. FIRST WAS TO US SEVENTH FLEET. SECOND WAS TO YEMEN PETROLEUM COMPANY. UNDER AGREEMENT CONCLUDED HERE LAST MONTH KNPC WILL SUPPLY YPC WITH PETROLEUM PRODUCTS TO MEET NORTH YEMEN'S REQUIREMENTS FOR THREE YEAR PERIOD BEGINNING APRIL 1, 1976 AND ENDING MARCH 31, 1978. PRESS REPORTS THAT SOME 250,000 TONS/YEAR OF JET FUEL, BENZINE, ENGINE FUEL, KEROSENE, GAS OIL AND MEDIUM FUEL OIL WILL BE SOLD. IN EACH CASE KNPC OFFERED STRICTLY COMMERCIAL TERMS AND WNN TENDER AGAINST INTERNATIONAL COMPETITION.

2. ACCORDING TO RECENT FINANCIAL TIMES REPORT, INDIAN OFFICIALS CLAIM THAT GOK (PRESUMABLY THROUGH KNPC) HAS OFFERED TO SELL OIL TO INDIA AT PREFERENTIAL RATES. OIL MINISTER KAZEMI DID VISIT INDIA LAST YEAR, ALTHOUGH THERE HAS BEEN NO ANNOUNCEMENT OF ANY AGREEMENT. FYI FINANCIAL TIMES REPORTED THAT GOI OFFICIAL CLAIMED THAT ONLY SAUDI ARABIA OF IMPORTANT GULF AREA PRODUCERS IS UNWILLING TO OFFER REDUCED PRICES TO INDIA; EMBASSY NEW DELHI MAY WISH COMMENT. END FYI.

3. LATE LAST MONTH OFFICIAL BANGLADESH DELEGATION VISITED KUWAIT FOR DISCUSSIONS WITH OIL MINISTER AND OTHER SENIOR LIMITED OFFICIAL USE

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OIL OFFICIALS HERE. ACCORDING TO LOCAL PRESS REPORTS BANGLADESH WANTS 250,000 TONS/YEAR AND FIVE YEARS TO PAY. NOT CLEAR HOW LONG OIL SUPPLY AGREEMENT IS TO LAST. BANGLADESH ALSO ASKED FOR TRAINING. TOTAL DEAL ACCORDING TO PRESS WOULD COST AROUND \$50 MILLION. PRESS REPORTS INDICATED GOK UNDERSTOOD BANGLADESH'S SPECIAL FINANCIAL REQUIREMENTS AND DESIRE TO BE FORTHCOMING. HOWEVER, AS IN INDIA CASE, THERE HAS BEEN NO ANNOUNCEMENT OF AN AGREEMENT.

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4. COMMENT: KNPC HAD ONLY A SO-SO YEAR IN 1975 WITH RESPECT TO INTERNATIONAL SALES; COMPANY BROKE EVEN IN THIS AREA. NOT SURPRISING, THEREFORE, THAT IT AGGRESSIVELY SEEKING ADDITIONAL SALES. COMPANY CHAIRMAN AHMAD MUTAIR RATHER PROUD OF KNPC'S SUCCESS IN INTERNATIONAL TENDERS. KUWAITIS TEND NOT TO LIKE TO MAKE CONCESSIONAL OIL SALES AS PART OF ECONOMIC ASSISTANCE TO NEEDS COUNTRIES. NEVERTHELESS, VARIOUS PRESS REPORTS DO SUGGEST POSSIBILITY THAT KNPC MAY AGREE TO MAKE PRODUCT SALES TO INDIA AND PERHAPS BANGLADESH AT SOMEWHAT REDUCED PRICES. CERTAINLY, PRESSURE IS STRONG FROM BOTH COUNTRIES FOR KNPC TO DO SO. IN ANSWER TO OUR DIRECT QUERIES MADE SEVERAL MONTHS AGO, SENIOR KNPC OFFICIAL SAID COMPANY MIGHT BE WILLING TO SHAVE PRICES TO COUNTRIES IN SOUTH ASIA TO PROTECT RELATIVELY LARGE, TRADITIONAL MARKETS.

5. WE DOUBT, HOWEVER, THAT KNPC TREATMENT OF PRODUCT PRICES WILL NECESSARILY BE FOLLOWED BY GOK WITH RESPECT TO CRUDE PRICES. FOR ONE THING, PRODUCT PRICES ARE NOT YET UNDER ANY OPEC CONTROL; THEREFORE GOK THROUGH KNPC HAS GREATER FLEXIBILITY. AS INDICATED IN PREVIOUS REPORTING, GOK OFFICIALS CLAIM TO BELIEVE THAT MARKET FOR KUWAIT CRUDE HAS IMPROVED AND THEREFORE THERE NO NEED TO REDUCE PRICES. WE NOTE THAT OIL PRESS CLAIMS GOK HAS EXTENDED CREDIT TERMS. WE HAVE NO CORROBORATING INFORMATION, BUT SUCH A MOVE IS MORE LIKELY THAN A REDUCTION IN THE PRESENT \$11.30 PER BARREL PRICE OF KUWAIT CRUDE.

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## Message Attributes

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